

**ACORD LOMA 2008:
Embracing Upgrades To Increase Flexibility
and Reduce Operating Costs**



PHOENIX

John V. LaGrasse
Executive Vice President
and Chief Information Officer

May 14, 2008

Phoenix: A Brief History

- Founded as mutual life insurance company in 1851
- Merged with Home Life in 1992
- Demutualized in 2001
- Focused on serving needs of high-net-worth consumers and business owners:
 - Work with financial advisors and RIAs at wirehouses, national and regional B/Ds, independents, etc.
 - Conducted the Phoenix Wealth Survey since 2000
 - Consistently at or near top of industry for highest face amount of life insurance policies

Significant accomplishments in 2007

Business Highlights

- Extended State Farm contract to 2016, five additional years
- Entered BGA distribution channel with strong results
- Agreed with National Life Group to promote Phoenix variable annuities and add their Sentinel Funds
- Agreed with Jefferson National to develop a low-cost, no-load variable annuity aimed at the fee-based advisor market
- Formed two new businesses: Life Solutions and Alternative Products

Results

- Record operating income of \$135.3 million; 22% CAGR since 2003
- Record Life & Annuity pre-tax earnings of \$215.7 million
- Record life sales of \$425 million
- Record mutual fund sales of \$3.6 billion
- 49% y/y growth in annuity deposits to \$627 million

Phoenix is positioned for further growth

2003 through 2007



Operational and strategic plan to stabilize, restructure and grow the company accomplished

2008: Spin-off of Asset Management Subsidiary



Strategic decision positions asset management subsidiary as stand-alone company

Concentration on Core Life and Annuity Business



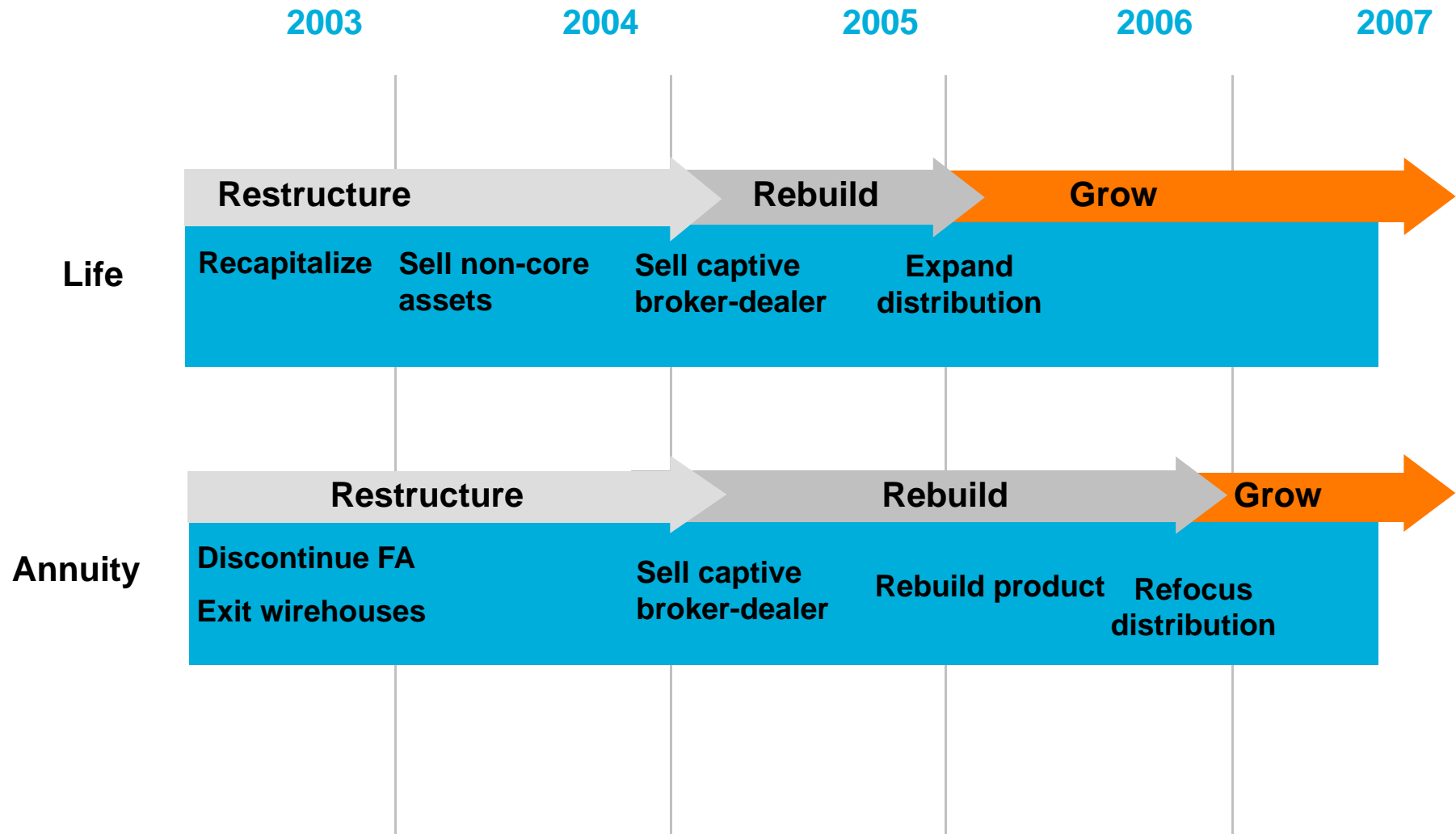
Focus on continued growth of life and annuity business whose prospects are strong

Goal



Industry-level ROE at Phoenix and enhanced shareholder returns

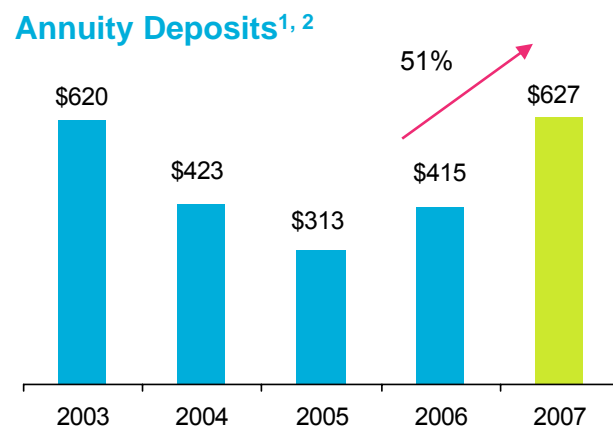
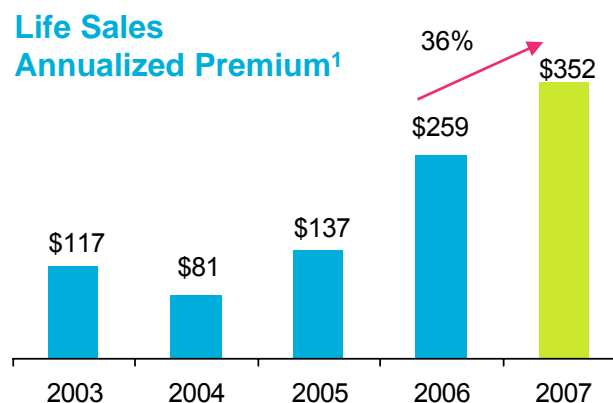
Significant Business Activities



Life & Annuity business vibrant and growing

Life and annuity sales growth propelled by distribution expansion:

- Successful entry into BGA channel for life products
- Successful entry into National Life Group for annuities
- Continued consistent growth at State Farm:
 - Life sales up 15% in 2007
 - Annuity deposits up 43% in 2007
 - Number of agents who sold Phoenix products up 7% in 2007
- Jefferson National agreement provides access to RIA market with no-load, low-fee variable annuity



1. Life and annuity sales exclude private placements.

2. Annuity deposits exclude discontinued products.

\$ in millions

Growth Driver: Operational Excellence

- Service sells
- Structural change: Moving to distributor-focused organization
- Functional change: Implementing Lean processes to improve operational speed and productivity to drive market share
 - In State Farm pilot, underwriter productivity increased by 75%, speed to issue cut almost in half
 - Plan to start BGA/Independent pilot on informals in 2008; placement rate for informals would more than double with our targeted reduction in speed to offer, leapfrogging the competition



Operational Excellence will drive growth

Goal: *To be a low cost, high quality provider of products and service to customers and distribution partners delivered with speed*

How?

- Process improvement, or “Lean”
 - Example: Through Operational Transformation, State Farm pilot halved issue time from 47 days to an average of 25; goal is 5 days
- Expense Management plays an important role
 - Between 2002 and 2006 approximately \$200 million of expenses eliminated
- Completed extensive review of corporate support functions and overhead structure with goal of becoming a best-in-class provider
 - Use process improvement to increase capacity as our sales grow
 - Committed to earnings improvement in 2008

The Legacy System Problem

- Long in-production lifecycle of life insurance systems creates:
 - *Competitive challenges*: Legacy systems have limited functionality and are difficult to integrate with modern systems.
 - *Cost pressures* from continued maintenance, revisions and upgrades.
 - *Human resource crisis*: New and future workers lack expertise that retiring IT workers used to maintain 30+-year-old systems written in COBOL. Rigorous re-training programs could alienate top talent who want to be on the cutting edge.
- Scheduled releases for new technology and business capabilities are challenging and expensive to install due to:
 - Years of product variations that are still in-force
 - Years of custom downstream systems and interfaces
 - Years of industry mergers and acquisitions

“A recipe for mediocrity” - Datamonitor

Many companies choose to delay or ignore some improvements to their systems because of the perceived costs and short-term inconveniences.

The result? They can't capitalize on other enhancements provided by modernized systems.

New Philosophy

Phoenix has decided to reduce ongoing application costs, and improve operations and profitability, by installing vendor-supplied enhancements earlier

Phoenix has also decided to aggressively manage base system customizations, since these changes make it more difficult to upgrade.

Upgrading software

- Updating PerformancePlus
 - #1 strategic project
 - Enterprise-wide view when serving our agents and policyholders
 - Enables us to manage and measure distributor performance and profitability, and rapidly develop and implement targeted compensation and bonus plans
- Upgrading AWD
 - Implementing new version
- Installing Customer Service Accelerator
 - Goal is to improve customer service and gain more efficient operations

Value to Phoenix:

- **Increased productivity**
 - Systems are upgraded to take advantage of new business and technical capability
 - Upgrades to the latest releases enable standardization
 - Higher productivity and utilization
 - Better integration with other systems
- **Reduced costs**
 - Lower maintenance support cost
 - Non-IT operating costs are reduced
 - Outsourcing transaction with CSC will reduce ongoing IT costs by 25% per year
 - Significant spikes in IT spending are smoothed
- **Improved customer experience**
 - Phoenix taps into ongoing investment and innovation in tools and technologies by CSC and the peer community
 - CSC agreement maintains this modern state via periodic refreshes
 - CSC is subject matter expert on their systems and industry applications
 - CSC has global, cost efficient, sourcing capability

Questions



PHOENIX